

RIVERLAND MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
SEPTEMBER 30, 2006, 2005 AND 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3-7-07

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
YEARS ENDED SEPTEMBER 30, 2006, 2005 AND 2004

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**PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2006**

This section of the District's annual financial report presents background information and management's analysis of the District's financial performance during the fiscal years that ended on September 30, 2006, 2005 and 2004. Please read it in conjunction with the financial statements beginning on page 3 and notes to the financial statements beginning on page 7 in this report.

Financial Highlights

- The District's total assets decreased by approximately \$1,662,000 or approximately 20% during fiscal year 2006 compared to a decrease of \$283,000 (3%) and increase of \$2,356,000 (38%) in fiscal years 2005 and 2004, respectively. This decrease was due primarily to recoupment by Medicare of remainder of overpayment from FY 2004.
- During fiscal year 2006, the District's total operating revenues increased approximately \$250,000 compared to an increase of \$920,000 in 2005 and a decrease of \$21,000 in 2004. The District had a loss from operations of approximately \$15,000 which compares to income from operations of \$165,000 and a loss of \$1,336,000 during fiscal years 2005 and 2004, respectively.
- Net patient service revenue increased approximately \$205,000 in fiscal year 2006 compared to a increase of \$996,000 in 2005 and decrease of \$120,000 in 2004. The increase in net patient service revenue in 2005 was in large part due to a decrease in contractual adjustments for Medicare and Medicaid.
- The District had net assets of approximately \$3,234,000 as of September 30, 2006.

Required Financial Statements

The financial statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements offer short-term and long-term financial information about its activities. The balance sheets include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the statements of revenue, expenses and changes in net assets. This statement measures improvements in the District's operations over the past two years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the statements of cash flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2006

Financial Analysis of the District

The balance sheets and the statements of revenue, expenses and changes in net assets report information about the District's activities. These two statements report the net assets of the District and changes in them. Increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations and changes in managed care contracting should also be considered.

Net Assets

A summary of the District's Balance Sheets is presented in Table 1 below:

TABLE 1
Condensed Balance Sheets

	<u>2006</u>		<u>2005</u>		<u>2004</u>		<u>2003</u>
Total current assets	\$ 3,239,424	\$	4,661,986	\$	5,062,346	\$	2,882,020
Capital assets - net	3,135,838		3,383,814		3,274,452		3,157,571
Other assets	<u>281,130</u>		<u>272,105</u>		<u>264,384</u>		<u>205,677</u>
 Total assets	 \$ <u>6,656,392</u>	 \$	 <u>8,317,905</u>	 \$	 <u>8,601,182</u>	 \$	 <u>6,245,268</u>
 Current liabilities	 \$ 2,736,491	 \$	 4,191,031	 \$	 4,893,928	 \$	 1,500,052
Long-term debt outstanding and other long-term liabilities	<u>685,899</u>		<u>818,796</u>		<u>519,943</u>		<u>186,583</u>
 Total liabilities	 <u>3,422,390</u>		 <u>5,009,827</u>		 <u>5,413,871</u>		 <u>1,686,635</u>
 Invested in capital assets, net of related debt	 1,932,806		 2,389,855		 2,598,692		 2,836,081
Unrestricted net assets	<u>1,301,196</u>		<u>918,223</u>		<u>588,619</u>		<u>1,722,552</u>
 Total net assets	 <u>3,234,002</u>		 <u>3,308,078</u>		 <u>3,187,311</u>		 <u>4,558,633</u>
 Total liabilities and net assets	 \$ <u>6,656,392</u>	 \$	 <u>8,317,905</u>	 \$	 <u>8,601,182</u>	 \$	 <u>6,245,268</u>

As can be seen in Table 1, total assets decreased by \$1,662,000 in fiscal year 2006 compared to a decrease of \$283,000 from fiscal year 2005. The change in total assets was due primarily to recoupment of \$2,000,000 prior year's liability owed to Medicare. The decrease in total net assets of \$74,000 from 2005 was a result of a net loss for the current year.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2006

Summary of Revenue, Expenses and Changes in Net Assets

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended September 30, 2006, 2005, 2004 and 2003.

TABLE 2
Condensed Statements of Revenue, Expenses and
Changes in Net Assets

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenue:				
Net patient service revenue	\$ 11,574,952	\$ 11,370,118	\$ 10,373,926	\$ 10,494,106
Sales tax revenue	497,680	420,770	427,487	408,031
Other revenue	<u>272,532</u>	<u>304,127</u>	<u>374,018</u>	<u>294,220</u>
Total revenue	12,345,164	12,095,015	11,175,431	11,196,357
Expenses:				
Salaries and benefits	7,108,671	6,428,123	6,874,082	6,340,221
Medical supplies and drugs	1,500,060	1,684,188	1,719,177	1,715,110
Insurance	263,368	323,793	290,612	263,775
Professional fees	1,117,308	1,302,884	1,509,618	1,709,211
Other expenses	1,948,899	1,766,407	1,743,980	1,798,302
Depreciation and amortization	<u>421,627</u>	<u>424,873</u>	<u>373,573</u>	<u>367,528</u>
Total expenses	<u>12,359,933</u>	<u>11,930,268</u>	<u>12,511,042</u>	<u>12,194,147</u>
Operating income (loss)	(14,769)	164,747	(1,335,611)	(997,790)
Nonoperating income:				
Interest income	7,770	5,739	1,502	15,962
Interest expense	<u>(67,077)</u>	<u>(49,719)</u>	<u>(37,213)</u>	<u>(17,957)</u>
Excess of revenue (expenses)	(74,076)	120,767	(1,371,322)	(999,785)
Net assets at beginning of year	<u>3,308,078</u>	<u>3,187,311</u>	<u>4,558,633</u>	<u>5,558,418</u>
Net assets at end of year	\$ <u>3,234,002</u>	\$ <u>3,308,078</u>	\$ <u>3,187,311</u>	\$ <u>4,558,633</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2006

Sources of Revenue

Operating Revenue

During fiscal year 2006, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payers, who receive care in the District's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes cafeteria sales, sales tax revenue and grant revenue.

Also during fiscal year 2005, on November 1, 2004 the District converted to a critical access hospital. This resulted in Medicare reimbursements being based on cost rather than a prospectively determined rate per discharge. The District substantially increased the use of swing beds, which resulted in increased patient revenue from Medicare.

Capital Assets

During fiscal year 2006, total capital assets increased by \$158,000 compared to a decrease of \$1,787,000 in 2005 and an increase of \$477,000 in 2004. The decrease in 2005 is the result of disposal of obsolete fully depreciated equipment.

TABLE 3
Capital Assets

	September 30, <u>2006</u>	September 30, <u>2005</u>	September 30, <u>2004</u>	September 30, <u>2003</u>
Land and land improvements	\$ 255,927	\$ 255,927	\$ 255,927	\$ 256,331
Buildings and fixed equipment	5,031,279	5,021,039	5,121,210	4,733,625
Leasehold improvements	27,197	27,197	27,197	38,577
Equipment	<u>4,574,861</u>	<u>4,427,295</u>	<u>6,114,479</u>	<u>6,013,557</u>
 Total	 9,889,264	 9,731,458	 11,518,813	 11,042,090
Less: accumulated depreciation	<u>6,753,426</u>	<u>6,347,644</u>	<u>8,244,361</u>	<u>7,884,519</u>
Net property, plant, and equipment	 \$ <u>3,135,838</u>	 \$ <u>3,383,814</u>	 \$ <u>3,274,452</u>	 \$ <u>3,157,571</u>

Net property, plant and equipment have decreased slightly because of increased depreciation. The District leased a new telemetry system in 2006 and purchased new Radiology and Respiratory equipment in fiscal year 2005.

**PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
SEPTEMBER 30, 2006**

Long-term Debt

At year-end, the District had \$686,000 in long-term debt compared to \$819,000 at September 30, 2005 and \$564,000 at September 30, 2004. The 2006 decrease in long-term debt is primarily due to the repayment of leases. Total long-term debt outstanding represents 10% of the District's total assets at September 30, 2006, as compared to 10% in 2005 and 7% in 2004.

Contacting the District's Financial Manager

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Riverland Medical Center Administration.

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Parishwide Hospital Service District
Parish of Concordia, State of Louisiana
(d/b/a Riverland Medical Center)
Ferryday, Louisiana

We have audited the accompanying financial statements of Parishwide Hospital Service District of the Parish of Concordia, State of Louisiana, d/b/a Riverland Medical Center (the "District"), a component unit of the Concordia Parish Police Jury, as of and for the years ended September 30, 2006, 2005 and 2004, as listed in the foregoing table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverland Medical Center, as of September 30, 2006, 2005 and 2004, and the results of its operations, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Riverland Medical Center will continue as a going concern. As discussed in Note 20 to the financial statements, under existing circumstances, there is substantial doubt about the ability of Riverland Medical Center to continue as a going concern at September 30, 2006. Management's plans in regard to that matter also are described in Note 20. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Board of Commissioners
Parishwide Hospital Service District
Parish of Concordia, State of Louisiana
(d/b/a Riverland Medical Center)
Ferriday, Louisiana
Page Two

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Management's discussion and analysis on pages "i" through "v" is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Lester, Miller & Wells

Certified Public Accountants
February 21, 2007



PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
BALANCE SHEETS
SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
ASSETS			
Current Assets			
Cash and cash equivalents (Note 3)	\$ 53,565	\$ 1,986,980	\$ 1,804,472
Accounts receivable, net of estimated uncollectibles (Note 4)	2,041,423	2,355,229	2,896,804
Inventory	346,813	279,125	292,003
Prepaid expenses	56,560	57,890	66,499
Estimated third-party payor settlements	737,953	-0-	-0-
Other receivables	<u>3,110</u>	<u>2,762</u>	<u>2,568</u>
Total Current Assets	<u>3,239,424</u>	<u>4,661,986</u>	<u>5,062,346</u>
Non-Current Assets			
Property, plant and equipment, net (Note 5)	3,135,838	3,383,814	3,274,452
Other assets (Note 6)	<u>281,130</u>	<u>272,105</u>	<u>264,384</u>
Total Assets	<u>\$ 6,656,392</u>	<u>\$ 8,317,905</u>	<u>\$ 8,601,182</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 606,176	\$ 289,744	\$ 501,299
Accrued expenses and withholdings payable (Note 7)	1,613,182	1,134,053	990,582
Estimated third-party payor settlements (Note 9)	-0-	2,592,071	3,246,230
Current maturities of long-term debt	<u>517,133</u>	<u>175,163</u>	<u>155,817</u>
Total Current Liabilities	<u>2,736,491</u>	<u>4,191,031</u>	<u>4,893,928</u>
Long-term debt, net of current maturities (Note 11)	<u>685,899</u>	<u>818,796</u>	<u>519,943</u>
Total Liabilities	<u>3,422,390</u>	<u>5,009,827</u>	<u>5,413,871</u>
Net Assets			
Invested in capital assets, net of related debt	1,932,806	2,389,855	2,598,692
Unrestricted net assets	<u>1,301,196</u>	<u>918,223</u>	<u>588,619</u>
Total Net Assets	<u>3,234,002</u>	<u>3,308,078</u>	<u>3,187,311</u>
Total Liabilities and Net Assets	<u>\$ 6,656,392</u>	<u>\$ 8,317,905</u>	<u>\$ 8,601,182</u>

See accompanying notes to financial statements

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenue			
Net patient service revenue	\$ 11,574,952	\$ 11,370,118	\$ 10,373,926
Sales tax revenue (Note 15)	497,680	420,770	427,487
Grant revenue	34,612	42,081	112,974
Gain (loss) on disposal of assets	400	(7,289)	(27)
Other	<u>237,520</u>	<u>269,335</u>	<u>261,071</u>
Total Revenue	<u>12,345,164</u>	<u>12,095,015</u>	<u>11,175,431</u>
Expenses			
Salaries and benefits	7,108,671	6,428,123	6,874,082
Medical supplies and drugs	1,500,060	1,684,188	1,719,177
Professional fees	1,117,308	1,302,884	1,509,618
Other expenses	1,581,400	1,376,622	1,341,154
Lease expense	50,168	76,397	83,292
Insurance	263,368	323,793	290,612
Retirement	317,331	313,388	319,534
Depreciation and amortization	<u>421,627</u>	<u>424,873</u>	<u>373,573</u>
Total Expenses	<u>12,359,933</u>	<u>11,930,268</u>	<u>12,511,042</u>
Operating Income (Loss)	<u>(14,769)</u>	<u>164,747</u>	<u>(1,335,611)</u>
Non-Operating Income (Expenses)			
Interest expense	(67,077)	(49,719)	(37,213)
Interest income	<u>7,770</u>	<u>5,739</u>	<u>1,502</u>
Excess of (Expenses) Over Revenue	(74,076)	120,767	(1,371,322)
Net Assets at Beginning of Year	<u>3,308,078</u>	<u>3,187,311</u>	<u>4,558,633</u>
Net Assets at End of Year	\$ <u>3,234,002</u>	\$ <u>3,308,078</u>	\$ <u>3,187,311</u>

See accompanying notes to financial statements.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 9,296,687	\$ 11,257,534	\$ 13,164,613
Other operating cash receipts	31,511	731,992	800,995
Cash paid to employees and for employee-related cost	(6,946,873)	(6,598,041)	(7,043,111)
Cash payments for other operating expenses	<u>(4,262,232)</u>	<u>(4,953,951)</u>	<u>(4,861,004)</u>
Net cash provided (used) by operating activities	<u>(1,880,907)</u>	<u>437,534</u>	<u>2,061,493</u>
Cash flows from investing activities:			
Collections on physician and nurse loans	38,533	35,733	35,783
Loans to physicians and nursing students	(48,104)	(44,000)	(60,500)
Interest income	7,770	5,739	1,502
Net change in other assets	<u>-0-</u>	<u>-0-</u>	<u>(29,733)</u>
Net cash provided (used) by investing activities	<u>(1,801)</u>	<u>(2,528)</u>	<u>(52,948)</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(204,229)	(155,817)	(173,430)
Interest expense on long-term debt	(67,077)	(49,719)	(37,213)
Proceeds from long-term debt	413,302	474,016	527,700
Cash payments for bond issue costs	-0-	-0-	(5,463)
Proceeds from disposal of assets	400	24,643	5,233
Acquisition of property, plant and equipment	<u>(173,103)</u>	<u>(565,621)</u>	<u>(494,510)</u>
Net cash provided (used) by capital and related financing activities:	<u>(30,707)</u>	<u>(272,498)</u>	<u>(177,683)</u>
Net increase (decrease) in cash and cash equivalents	(1,913,415)	162,508	1,830,862
Beginning cash and cash equivalents (overdraft)	<u>1,966,980</u>	<u>1,804,472</u>	<u>(26,390)</u>
Ending cash and cash equivalents (overdraft)	\$ <u>53,565</u>	\$ <u>1,966,980</u>	\$ <u>1,804,472</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>67,077</u>	\$ <u>49,719</u>	\$ <u>31,997</u>
Equipment acquired under capital lease	\$ <u>110,062</u>	\$ <u>82,017</u>	\$ <u>-0-</u>

See accompanying notes to financial statements.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (14,769)	\$ 164,747	\$ (1,335,611)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	421,627	424,873	373,573
Provision for bad debt	2,018,179	2,403,460	2,319,368
(Gain) loss on disposal of assets	(400)	7,289	27
Changes in:			
Net patient accounts receivable	(1,704,373)	(1,861,885)	(2,733,275)
Estimated third-party payor settlements	(3,330,024)	(654,159)	3,204,594
Inventory	(67,688)	12,878	71,613
Prepaid expenses	1,330	8,609	(33,021)
Other receivables	(348)	(194)	(537)
Accounts payable	316,430	(211,555)	44,257
Accrued expenses and withholdings payable	<u>479,129</u>	<u>143,471</u>	<u>150,505</u>
Net cash provided (used) by operating activities	\$ <u>(1,880,907)</u>	\$ <u>437,534</u>	\$ <u>2,061,493</u>

See accompanying notes to financial statements.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2006, 2005 AND 2004

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Parishwide Hospital Service District of the Parish of Concordia, State of Louisiana (referred to as "the District" or the "Hospital") was created by an ordinance of the Concordia Parish Police Jury on April 26, 1981, and was referred to as Concordia Parish Hospital until January 13, 1986, when the name was changed to Riverland Medical Center.

The District is a political subdivision of the Concordia Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Concordia Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Concordia Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Concordia Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, inpatient acute hospital services, skilled nursing (through "swing bed"), clinic and home health services (by joint venture effective July 15, 2000). On November 1, 2004, the Hospital converted to a 25 bed critical access hospital (CAH).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Hospital uses the enterprise method of accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, as amended, the District has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

forth in the Louisiana Governmental Audit Guide, and to the AICPA, Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Income Taxes

The entity is a political subdivision and exempt from taxation.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The District uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the years of disposal. Gains or losses resulting from property disposal are credited or charged to operations currently.

Net Assets

Net assets consist of net assets invested in capital assets (property and equipment, net of related debt; and unrestricted net assets. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Unrestricted net assets consist of all other assets. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expenses

The District's statements of revenue, expenses and changes in net assets distinguish between operating and nonoperating revenues and expenses. For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are included in income or loss from operations; all peripheral transactions are reported as a component of nonoperating income.

Uncollectible Accounts

The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenue to establish an allowance for uncollectible accounts.

Credit Risk

The District provides medical care to Concordia Parish residents and grants credit to patients, substantially all of whom are local residents. The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 13. Accordingly, changes in federal or state legislation or interpretations of rules have a significant impact on the District.

Net Patient Service Revenue

The District has entered into agreements with third-party payors, including government programs, health insurance companies and managed care health plans, under which the District is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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NOTE 3 - DEPOSITS AND INVESTMENTS

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledged of securities and government backed mutual or trust funds.

Custodial Credit Risks – Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at September 30, 2006, 2005 and 2004.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates.

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net patient accounts receivable	\$ 5,856,423	\$ 5,400,229	\$ 4,572,804
Estimated uncollectibles	<u>(3,815,000)</u>	<u>(3,045,000)</u>	<u>(1,676,000)</u>
Total	\$ <u>2,041,423</u>	\$ <u>2,355,229</u>	\$ <u>2,896,804</u>

The following is a summary of the mix of receivables from patients and third-party payors at September 30:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Medicare	39%	21%	59%
Medicaid	8%	13%	14%
Commercial and other third-party payors	27%	42%	18%
Self-pay	<u>26%</u>	<u>24%</u>	<u>9%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation:

	September 30, <u>2005</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2006</u>
Land	\$ 116,996	\$ -0-	\$ -0-	\$ 116,996
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	27,197	-0-	-0-	27,197
Building & fixed equipment	5,021,039	10,240	-0-	5,031,279
Major moveable equipment	<u>4,427,295</u>	<u>162,863</u>	<u>15,297</u>	<u>4,574,861</u>
Total	9,731,458	173,103	15,297	9,889,264
Accumulated depreciation	<u>6,347,644</u>	<u>421,079</u>	<u>15,297</u>	<u>6,753,426</u>
Net property, plant and equipment	\$ <u>3,383,814</u>	\$ <u>(247,976)</u>	\$ <u>-0-</u>	\$ <u>3,135,838</u>

	September 30, <u>2004</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2005</u>
Land	\$ 116,996	\$ -0-	\$ -0-	\$ 116,996
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	27,197	-0-	-0-	27,197
Building & fixed equipment	5,121,210	18,620	118,791	5,021,039
Major moveable equipment	<u>6,114,479</u>	<u>547,001</u>	<u>2,234,185</u>	<u>4,427,295</u>
Total	11,518,813	565,621	2,352,976	9,731,458
Accumulated depreciation	<u>8,244,361</u>	<u>424,327</u>	<u>2,321,044</u>	<u>6,347,644</u>
Net property, plant and equipment	\$ <u>3,274,452</u>	\$ <u>141,294</u>	\$ <u>31,932</u>	\$ <u>3,383,814</u>

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NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	September 30, <u>2003</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2004</u>
Land	\$ 117,400	\$ -0-	\$ 404	\$ 116,996
Land improvements	138,931	-0-	-0-	138,931
Leasehold improvements	38,577	-0-	11,380	27,197
Building & fixed equipment	4,733,625	387,585	-0-	5,121,210
Major moveable equipment	<u>6,013,557</u>	<u>106,925</u>	<u>6,003</u>	<u>6,114,479</u>
 Total	 11,042,090	 494,510	 17,787	 11,518,813
Accumulated depreciation	<u>7,884,519</u>	<u>372,367</u>	<u>12,525</u>	<u>8,244,361</u>
 Net property, plant and equipment	 \$ <u>3,157,571</u>	 \$ <u>122,143</u>	 \$ <u>5,262</u>	 \$ <u>3,274,452</u>

The hospital facility was originally built by the Concordia Parish Police Jury which issued ad valorem tax bonds to finance its construction. The facility assets were transferred to the District's financial statements with corresponding increases in fund balance.

Property, plant and equipment include fully depreciated assets which are still in service in the amount of \$3,780,888, \$3,648,380 and \$5,278,757 for 2006, 2005 and 2004, respectively.

A summary of assets held under capital leases, which are included in property, plant and equipment, at September 30 follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Equipment	\$ 1,723,209	\$ 722,126	\$ 1,511,861
Accumulated depreciation	<u>(696,305)</u>	<u>(538,149)</u>	<u>(1,297,443)</u>
 Total	 \$ <u>1,026,904</u>	 \$ <u>183,977</u>	 \$ <u>214,418</u>

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NOTE 6 - OTHER ASSETS

Other assets consist of the following:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Notes receivable from medical students and doctors less estimated uncollectibles	\$ 114,861	\$ 96,801	\$ 88,534
Notes receivable from nursing students	-0-	8,533	8,533
Unamortized bond issue cost	4,051	4,553	5,099
LHA Trust Fund equity	<u>162,218</u>	<u>162,218</u>	<u>162,218</u>
 Total	 \$ <u>281,130</u>	 \$ <u>272,105</u>	 \$ <u>264,384</u>

NOTE 7 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30 consist of the following:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
State and federal taxes payable	\$ 274,811	\$ 16,665	\$ 16,444
Accrued salaries and fees payable	225,514	167,800	153,524
Accrued compensated absences	449,614	432,868	415,976
Payroll withholdings payable	361,886	238,545	128,259
Louisiana mandated service charge	395	395	395
Vested sick pay payable	<u>300,962</u>	<u>277,780</u>	<u>275,984</u>
 Total	 \$ <u>1,613,182</u>	 \$ <u>1,134,053</u>	 \$ <u>990,582</u>

NOTE 8 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested vacation and vested sick pay for employees with over ten years of service and paid days off have been recorded as liabilities in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

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NOTE 9 - ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

During May 2004, the District was overpaid \$4,341,960 due to a claims processing error. The Medicare intermediary is recovering the overpayment through an offset of Medicare claims as they are being processed. The balance due as of September 30, 2006, 2005 and 2004 was \$0, \$2,632,162 and \$3,294,405, respectively.

NOTE 10 - PENSION PLAN

The District administers and is trustee of a qualified defined contribution plan, Riverland Medical Center Money Purchase Pension Plan. An employee is 100% vested upon entry to the plan with retirement age being age 59 ½. Plan benefits include death and disability provisions and choice of four payment options upon retirement. Plan provisions may be amended by the plan trustee. The District contributes 6% of salaries to the plan. Employee mandatory contributions are 6% and employee voluntary contributions are up to 14%. Pension expense charged to operations was \$317,331, \$313,388, and \$319,534 in 2006, 2005 and 2004, respectively. Employee contributions for each fiscal year are summarized below:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Employee mandatory contributions	\$ 311,424	\$ 343,637	\$ 358,701
Employee voluntary contributions	<u>49,147</u>	<u>48,968</u>	<u>44,734</u>
Total	\$ <u>360,571</u>	\$ <u>392,605</u>	\$ <u>403,435</u>

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NOTE 11 - LONG-TERM DEBT

The following is a summary of long-term debt, including capital lease obligations, at September 30:

	September 30			September 30		
	<u>2005</u>	<u>Additions</u>	<u>Payments</u>	<u>2006</u>	<u>Due Within</u>	<u>One Year</u>
Series 2003 bonds	\$ 430,875	\$ -0-	\$ 44,010	\$ 386,665	\$ 45,918	
Capital lease obligations	563,284	113,302	160,219	516,367	171,215	
Series 2006 bonds	<u>-0-</u>	<u>300,000</u>	<u>-0-</u>	<u>300,000</u>	<u>300,000</u>	
Total	\$ <u>993,959</u>	\$ <u>413,302</u>	\$ <u>204,229</u>	\$ <u>1,203,032</u>	\$ <u>517,133</u>	

	September 30			September 30		
	<u>2004</u>	<u>Additions</u>	<u>Payments</u>	<u>2005</u>	<u>Due Within</u>	<u>One Year</u>
Series 2003 bonds	\$ 472,857	\$ -0-	\$ 42,182	\$ 430,675	\$ 44,010	
Capital lease obligations	<u>202,903</u>	<u>474,016</u>	<u>113,635</u>	<u>563,284</u>	<u>131,153</u>	
Total	\$ <u>675,760</u>	\$ <u>474,016</u>	\$ <u>155,817</u>	\$ <u>993,959</u>	\$ <u>175,163</u>	

	September 30			September 30		
	<u>2003</u>	<u>Additions</u>	<u>Payments</u>	<u>2004</u>	<u>Due Within</u>	<u>One Year</u>
Series 1994 bonds	\$ 80,723	\$ -0-	\$ 80,723	\$ -0-	\$ -0-	
Series 2003 bonds	-0-	500,000	27,143	472,857	42,182	
Capital lease obligations	<u>240,767</u>	<u>27,700</u>	<u>65,564</u>	<u>202,903</u>	<u>113,635</u>	
Total	\$ <u>321,490</u>	\$ <u>527,700</u>	\$ <u>173,430</u>	\$ <u>675,760</u>	\$ <u>155,817</u>	

The following are the terms and due dates of the Hospital's long-term debt at September 30:

- Series 1994 Certificates of Indebtedness, at a 6.0% interest rate, due in variable annual installments with full repayment at November 1, 2004, collateralized by a pledge and dedication of the District's excess annual revenues over expenses. Series 1994 Certificates of Indebtedness were issued to construct a new ICU wing.
- Series 2003 Certificates of Indebtedness, at a 4.25% interest rate, due in variable annual installments with full repayment at January 20, 2014, collateralized by a pledge and dedication of the District's excess annual revenues over expenses. Series 2003 Certificates of Indebtedness were issued for roof replacement.
- Capital leases at varying rates of imputed interest 3.1% to 18.9%, with total monthly payments ranging to \$160,264 until 2010, collateralized by leased equipment.
- Series 2006 Certificates of Indebtedness, at a 5.25% interest rate, due in one annual payment at March 1, 2007, collateralized by a pledge and dedication of the District's excess annual revenues over expenses. Series 2006 Certificates of Indebtedness were issued for current expenses.

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NOTE 11 - LONG-TERM DEBT (Continued)

Scheduled principal and interest payments on long-term debt and capital leases are as follows:

<u>Year Ending September 30,</u>	<u>Long-Term Debt</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 345,917	\$ 23,727	\$ 171,215	\$ 21,069
2008	47,907	13,556	168,232	16,719
2009	49,983	11,480	127,117	6,948
2010	52,149	9,313	48,837	1,011
2011	54,409	7,054	965	13
2012-2015	<u>136,301</u>	<u>14,164</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>686,666</u>	\$ <u>79,294</u>	\$ <u>516,366</u>	\$ <u>45,760</u>

NOTE 12 - OPERATING LEASES

The District leases various equipment and offices under operating leases expiring in various years through 2008. These leases are all cancelable with notice. Certain operating leases provide for renewal options for an indefinite period at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Minimum future lease payments under operating leases as of September 30, and for each subsequent year in the aggregate are provided below:

<u>Year Ending September 30,</u>	<u>Amount</u>
2007	\$ 27,400
2008	22,833
2009	-0-
2010	-0-
2011	<u>-0-</u>
Total minimum lease payments	\$ <u>50,233</u>

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NOTE 13 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare - Prior to November 1, 2004, inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates varied according to a patient classification system that was based on clinical, diagnostic and other factors. Certain outpatient services related to Medicare beneficiaries were paid based on a set fee per diagnosis, with a hold harmless provision for cost reimbursement. Swing bed routine services were reimbursed based upon a prospectively determined rate per patient day based on clinical, diagnostic, and other factors. Effective November 1, 2004, the District became a Medicare "Critical Access Hospital" (CAH). This designation enables the District to receive cost based reimbursement for most services provided to Medicare beneficiaries on or after this date.

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through October 31, 2004.

Medicaid - Inpatient acute and psychiatric services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through September 30, 2003.

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

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NOTE 13 - NET PATIENT SERVICE REVENUE (Continued)

The following is a summary of the Hospital's net patient service revenue for the year ended September 30:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Gross patient service charges	\$ 25,954,102	\$ 27,175,821	\$ 27,036,501
Contractual adjustments	(13,153,336)	(13,658,782)	(14,422,021)
Medicaid disproportionate share payments	1,952,970	1,469,207	1,260,892
Discounts	(1,160,605)	(1,212,668)	(1,182,078)
Provision for bad debts	<u>(2,018,179)</u>	<u>(2,403,460)</u>	<u>(2,319,368)</u>
 Net patient service revenue	 \$ <u>11,574,952</u>	 \$ <u>11,370,118</u>	 \$ <u>10,373,926</u>

The District generated a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. The following is a summary of gross Medicare and Medicaid patient charges for the years ended September 30, 2006, 2005 and 2004 follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Medicare and Medicaid gross patient charges	\$ 19,408,162	\$ 20,150,675	\$ 20,105,797
Contractual adjustments	<u>(11,200,366)</u>	<u>(12,189,575)</u>	<u>(13,161,129)</u>
 Program patient service revenue	 \$ <u>8,207,796</u>	 \$ <u>7,961,100</u>	 \$ <u>6,944,668</u>
 Percent of total gross patient revenue	 <u>75%</u>	 <u>74%</u>	 <u>74%</u>
Percent of total net patient revenue	<u>71%</u>	<u>70%</u>	<u>67%</u>

The District received interim amounts of \$1,952,970, \$1,469,207 and \$1,260,892 for Medicaid and self-pay uncompensated care services for the years ended September 30, 2006, 2005 and 2004, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations require retroactive audit of the claimed uncompensated cost and comparison to the interim amounts paid by Medicaid in each fiscal year. Any overpayments will be recouped by Medicaid and the District has not made any provisions for such recoupments. Current regulation does not provide for settlement of underpayments by Medicaid. Management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results; the differences will be used to adjust income for the period when differences arise.

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NOTE 14 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk.

The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations of income and equity in the trust in its financial statements.

NOTE 15 - SALES TAX REVENUE

During the year ended September 30, 1985, the voters of the District passed a one-fourth cent sales tax, which was renewed for an additional ten years in 1995. An additional ten year renewal was approved by voters in January, 2005. The sales tax is collected by the Concordia Parish School Board for a five percent collection fee.

NOTE 16 - SELF-FUNDED BENEFIT PLAN

The District maintains a self-funded medical/drug benefit plan. The District entered into an agreement on November 1, 1997, with a third-party administrator to administer the plan. The District purchases "excess" insurance coverage that provides for payment of claims over the \$50,000 specific deductible and the \$200,000 named aggregating specific deductible for two employees, with a maximum liability of \$996,000.

NOTE 17 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 13) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as

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NOTE 17 - CONTINGENCIES (Continued)

well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined. Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, privacy, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 14) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund

Workers' Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insurance Workers' Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The trust fund is also a "Grantor Trust" and income and expenses are pro rated to member hospitals. The District included these allocations of income and equity in the trust in its financial statements.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

Payroll Taxes and Withholdings - Federal and State withholdings and payroll taxes were not paid timely during the last two quarters of the fiscal year. Applicable payroll reports were not filed for the entire fiscal year. Payment of late payroll taxes and withholdings were made subsequent to year end and appropriate reports were filed with the Internal Revenue Service (IRS). Penalties and interest have not been assessed by the IRS but should be in the future. There is no practicable method to calculate the possible penalties and interest which are due at this time. Therefore, no provision for this liability has been made in these financial statements.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2006, 2005 AND 2004

NOTE 18 - CHARITY CARE

The District has a policy of providing charity care to indigent patients in emergency situations. The foregone charges of free care provided is \$705, \$37,996 and \$99,730 for the respective fiscal years ended in 2006, 2005 and 2004.

NOTE 19 - JOINT VENTURE

The District entered into a cooperative endeavor (ie: joint venture) with a home health company on July 15, 2000. The District shares one-third of the profits and leases space to this organization. The District's share of profits were \$92,085, \$75,831 and \$73,232 for fiscal years ended in 2006, 2005 and 2004, respectively. Rental income was \$18,000, \$18,000 and \$19,500 for fiscal years ended in 2006, 2005 and 2004, respectively.

NOTE 20 - GOING CONCERN

As shown in the accompanying financial statements, the District has a current ratio of 1.18 as of September 30, 2006. This financial indicator combined with four of the last five years of negative earnings creates an uncertainty about the District's ability to continue as a going concern. Management of the District has developed the following plan to reduce its receivables and expenses and return the District to a profitable position. The ability of the District to continue as a going concern is dependent on the plan's success. The financial statements do not include any adjustments that might be necessary if the District is unable to continue as a going concern.

- Effective November 1, 2004, the District converted to critical access hospital status for Medicare reimbursement based on cost rather than a prospectively determined rate per discharge.
- Administration permanently closed the Labor and Delivery department November 2006.
- Outpatient surgery will be moved to former labor and delivery unit to maximize Medicare usage of square footage.
- Swing bed utilization will be maximized by educating hospital staff and contacting other area hospitals to arrange cooperative endeavors that could increase swing bed usage.
- The addition of the new family practice physician should increase outpatient and ancillary revenues with increased volume.
- Management is requesting approval of a \$500,000 line of credit for operational expenses from the State Bond Commission to use in paying overdue bills.
- Medicare reimbursement from the cost report of \$680,000 will be used to pay future operational expenses. Due to this underpayment a recalculation of the Medicare rates has been requested. This adjustment will increase monthly cash flow.
- Administration has requested all departments to use inventory and reduce stock levels by buying in two week periods instead of monthly.
- Usage levels will be monitored for waste and unauthorized usage.
- Management will review all contracts for possible savings and necessity of services.
- Administrator will review accounts receivable reports to insure third-party claims are filed and collected in a timely manner. Collections procedures will be reviewed and revised as needed to decrease collection times.

SUPPLEMENTARY INFORMATION

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Routine Services:			
Adult and pediatric	\$ 939,040	\$ 1,143,820	\$ 1,473,492
Swing bed	57,800	53,300	38,900
Intensive care	477,100	517,400	688,450
Nursery	<u>60,000</u>	<u>85,800</u>	<u>86,640</u>
Total routine services	<u>1,533,940</u>	<u>1,800,320</u>	<u>2,285,482</u>
Other Professional Services:			
Operating room			
Inpatient	202,900	340,250	313,200
Outpatient	<u>620,800</u>	<u>619,000</u>	<u>566,150</u>
Total operating room	<u>823,700</u>	<u>959,250</u>	<u>879,350</u>
Recovery room			
Inpatient	74,550	105,350	129,500
Outpatient	<u>136,600</u>	<u>156,500</u>	<u>127,650</u>
Total recovery room	<u>211,150</u>	<u>261,850</u>	<u>257,150</u>
Labor/delivery room			
Inpatient	<u>191,550</u>	<u>274,800</u>	<u>327,050</u>
Anesthesia			
Inpatient	39,315	47,610	5,100
Outpatient	<u>445,200</u>	<u>474,208</u>	<u>482,692</u>
Total anesthesia	<u>484,515</u>	<u>521,818</u>	<u>487,792</u>
Radiology			
Inpatient	1,124,243	1,063,017	1,388,206
Outpatient	<u>4,468,225</u>	<u>3,436,253</u>	<u>3,079,668</u>
Total radiology	<u>5,592,468</u>	<u>4,499,270</u>	<u>4,467,874</u>
Laboratory			
Inpatient	1,609,071	1,683,656	1,792,384
Outpatient	<u>3,834,050</u>	<u>3,906,596</u>	<u>3,408,187</u>
Total laboratory	<u>\$ 5,443,121</u>	<u>\$ 5,590,252</u>	<u>\$ 5,200,571</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Blood			
Inpatient	\$ 153,930	\$ 170,795	\$ 162,804
Outpatient	<u>52,355</u>	<u>56,723</u>	<u>69,998</u>
Total blood	<u>206,285</u>	<u>227,518</u>	<u>232,802</u>
Respiratory care			
Inpatient	1,542,895	2,126,677	2,594,958
Outpatient	<u>358,176</u>	<u>283,564</u>	<u>244,501</u>
Total respiratory care	<u>1,901,071</u>	<u>2,410,241</u>	<u>2,839,459</u>
IV therapy			
Inpatient	851,093	1,020,252	1,216,394
Outpatient	<u>452,157</u>	<u>472,644</u>	<u>420,459</u>
Total IV therapy	<u>1,303,250</u>	<u>1,492,896</u>	<u>1,636,853</u>
Physical & speech therapy			
Inpatient	4,900	5,636	15,580
Outpatient	<u>74,988</u>	<u>83,085</u>	<u>51,052</u>
Total physical & speech therapy	<u>79,888</u>	<u>88,721</u>	<u>66,632</u>
EKG and EEG			
Inpatient	78,152	105,996	121,816
Outpatient	<u>163,576</u>	<u>189,452</u>	<u>176,372</u>
Total EKG and EEG	<u>241,728</u>	<u>295,448</u>	<u>298,188</u>
Medical supply			
Inpatient	1,098,205	1,233,322	1,416,309
Outpatient	<u>1,949,659</u>	<u>1,745,905</u>	<u>1,426,873</u>
Total medical supply	\$ <u>3,047,864</u>	\$ <u>2,979,227</u>	\$ <u>2,843,182</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Pharmacy			
Inpatient	\$ 1,480,860	\$ 1,700,562	\$ 1,573,309
Outpatient	<u>1,001,655</u>	<u>1,245,543</u>	<u>671,687</u>
Total pharmacy	<u>2,482,515</u>	<u>2,946,105</u>	<u>2,244,996</u>
Emergency room			
Inpatient	50	30	(60)
Outpatient	<u>924,760</u>	<u>992,937</u>	<u>822,088</u>
Total emergency room	<u>924,810</u>	<u>992,967</u>	<u>822,028</u>
Emergency room physician fees			
Inpatient	(1,300)	(1,175)	(5,558)
Outpatient	<u>910,927</u>	<u>951,984</u>	<u>989,574</u>
Total emergency room physician fees	<u>909,627</u>	<u>950,809</u>	<u>984,016</u>
Hospitalist physician fees			
Inpatient	-0-	135,017	265,460
Outpatient	<u>-0-</u>	<u>3,373</u>	<u>4,011</u>
Total hospitalist physician fees	<u>-0-</u>	<u>138,390</u>	<u>269,471</u>
Monitor			
Inpatient	115,444	245,000	338,786
Outpatient	<u>15,778</u>	<u>3,038</u>	<u>6,174</u>
Total monitor	\$ <u>131,222</u>	\$ <u>248,038</u>	\$ <u>344,960</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Clinics			
St. Joseph	\$ -0-	\$ 40,076	\$ 67,441
Ferriday #1	-0-	-0-	75,354
Pediatric clinic	90	148,465	150,365
RMC Family Medicine	99,584	-0-	-0-
Darakshan clinic	<u>345,724</u>	<u>309,360</u>	<u>255,485</u>
Total clinics	<u>445,398</u>	<u>497,901</u>	<u>548,645</u>
Total other professional services	<u>24,420,162</u>	<u>25,375,501</u>	<u>24,751,019</u>
Gross patient service revenue	<u>25,954,102</u>	<u>27,175,821</u>	<u>27,036,501</u>
Deductions from Revenue:			
Medicare and Medicaid contractual adjustments	13,153,336	13,658,782	14,422,021
Provision for bad debt	2,018,179	2,403,460	2,319,368
Uncompensated care reimbursement	(1,952,970)	(1,469,207)	(1,260,892)
Uncompensated services	705	37,996	99,730
Other	<u>1,159,900</u>	<u>1,174,672</u>	<u>1,082,348</u>
Total deductions from revenue	<u>14,379,150</u>	<u>15,805,703</u>	<u>16,662,575</u>
Net patient service revenue	\$ <u>11,574,952</u>	\$ <u>11,370,118</u>	\$ <u>10,373,926</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF OTHER REVENUE
YEARS ENDED SEPTEMBER 30,

	<u>2006</u>		<u>2005</u>		<u>2004</u>
Meals sold to employees	\$ 54,651	\$	88,065	\$	53,199
Medical records revenue	10,932		13,604		13,546
Vending machine commissions	2,594		2,683		2,415
Rental income	25,700		29,864		33,262
Home health joint venture payments	92,085		75,831		73,232
Miscellaneous revenue	<u>51,558</u>		<u>59,288</u>		<u>85,417</u>
 Total other revenue	 \$ <u>237,520</u>	 \$	 <u>269,335</u>	 \$	 <u>261,071</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - SALARIES AND BENEFITS
YEARS ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Administration	\$ 561,351	\$ 522,824	\$ 556,007
Plant operations and maintenance	124,790	116,025	136,974
Laundry	14,991	15,113	12,873
Housekeeping	103,505	104,013	129,584
Dietary and cafeteria	136,984	134,593	147,675
Medical records	156,577	127,946	142,194
Nursing services	1,097,672	1,014,468	991,822
Intensive care unit	650,445	617,694	637,086
Nursery	31,198	56,327	68,954
Operating room	249,739	241,588	246,015
Delivery room	314,025	491,833	450,556
Anesthesiology	275,773	272,468	276,529
Radiology	352,958	349,677	363,490
Laboratory	405,349	409,888	422,371
Respiratory therapy	294,384	270,915	299,059
Central supply	49,856	48,891	57,434
Pharmacy	195,007	144,623	154,370
Emergency room	493,310	477,933	433,140
Clinics	<u>392,731</u>	<u>343,614</u>	<u>578,938</u>
 Total salaries	 <u>5,900,645</u>	 <u>5,760,433</u>	 <u>6,105,071</u>
 Payroll taxes	 74,300	 75,453	 79,887
Hospital insurance	1,110,218	573,346	670,416
Other	<u>23,508</u>	<u>18,891</u>	<u>18,708</u>
 Total benefits	 <u>1,208,026</u>	 <u>667,690</u>	 <u>769,011</u>
 Total salaries and benefits	 \$ <u>7,108,671</u>	 \$ <u>6,428,123</u>	 \$ <u>6,874,082</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - MEDICAL SUPPLIES AND DRUGS
YEARS ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Nursing services	\$ 4,690	\$ 5,254	\$ 9,860
Intensive care unit	6,516	3,880	5,913
Nursery	3,642	5,860	4,680
Operating room	123,379	125,955	110,249
Delivery room	26,173	30,089	30,923
Anesthesiology	6,953	4,453	5,448
Radiology	71,034	66,892	64,401
Laboratory and blood	484,694	467,973	477,707
IV therapy	63,262	79,369	78,433
Respiratory therapy	43,702	38,344	36,103
Physical therapy	112	-0-	-0-
Central supply	218,621	217,682	227,730
Pharmacy	421,523	609,565	630,445
Cardiac rehab	-0-	-0-	640
Emergency room	21,078	13,493	25,009
Clinics	<u>4,681</u>	<u>15,379</u>	<u>11,636</u>
 Total medical supplies and drugs	 \$ <u>1,500,060</u>	 \$ <u>1,684,188</u>	 \$ <u>1,719,177</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - PROFESSIONAL FEES
YEARS ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Nursery	\$ 2,560	\$ 3,840	\$ 3,840
Operating room	62,500	65,000	65,000
Ultrasound	80,026	83,374	132,894
Laboratory	12,000	12,000	12,000
Physical therapy	32,385	44,078	33,194
Emergency room	927,837	848,364	899,664
Hospitalist	<u>-0-</u>	<u>246,228</u>	<u>363,026</u>
 Total professional fees	 \$ <u>1,117,308</u>	 \$ <u>1,302,884</u>	 \$ <u>1,509,618</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF EXPENSES - OTHER EXPENSES
YEARS ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Contract services	\$ 136,063	\$ 91,994	\$ 95,232
Collection fees	54,226	70,103	92,688
Director fees	1,975	1,850	2,075
Legal and accounting	82,084	65,620	49,430
Supplies	379,217	312,153	331,632
Repairs and maintenance	306,429	250,426	220,760
Utilities	284,520	242,773	212,187
Telephone	52,919	46,811	61,867
Travel	9,269	10,771	10,919
Rentals	75,347	84,966	75,162
Education	4,817	4,182	6,179
Advertising	27,776	7,138	26,363
Dues and subscriptions	108,939	15,632	81,950
Miscellaneous	<u>57,819</u>	<u>172,203</u>	<u>74,710</u>
 Total other expenses	 \$ <u>1,581,400</u>	 \$ <u>1,376,622</u>	 \$ <u>1,341,154</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
SCHEDULES OF PER DIEM AND OTHER
COMPENSATION PAID TO BOARD MEMBERS
YEARS ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Board Members:			
Mr. Larry McManus	\$ -0-	\$ 175	\$ 300
Mr. Theodore McCoy	300	275	300
Mr. Fred Butcher	300	275	300
Mrs. Rena Pitts	300	275	300
Ms. Carolyn Magoun	300	275	275
Dr. Sarah Lee	-0-	-0-	75
Dr. Herman Gibson	75	275	225
Mr. Tommy Massey	-0-	25	-0-
Mr. Jim Graves	300	275	300
Ms. Mary Henderson	200	-0-	-0-
Mr. Larry Chauvin	<u>200</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>1,975</u>	\$ <u>1,850</u>	\$ <u>2,075</u>

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Parishwide Hospital Service District
Parish of Concordia, State of Louisiana
(d/b/a Riverland Medical Center)
Ferriday, Louisiana

We have audited the financial statements of the Parishwide Hospital Service District of the Parish of Concordia, d/b/a Riverland Medical Center (the District or the Hospital) as of and for the years ended September 30, 2006, 2005 and 2004, and have issued our report thereon dated February 21, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Riverland Medical Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted several matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Riverland Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under Government Auditing Standards.

Board of Commissioners
Parishwide Hospital Service District
Parish of Concordia, State of Louisiana
(d/b/a Riverland Medical Center)
Ferryday, Louisiana
Page Two

This report is intended for the information and use of the Board of Commissioners, management and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record

Lester, Miller & Wells

Certified Public Accountants
February 21, 2007



PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2006

Internal Controls

2006-1

Finding: We found several issues regarding internal controls for cash and deposits. 1. Deposits for cash accounts were erroneously posted to the general ledger when either no deposit was made and the checks were outstanding or the deposit was actually made in the following month. 2. Checks were being held after signatures were obtained because of cash flow inadequacies. The holding of these checks created misstatements of cash and liability balances. 3. Outdated signature cards exist at the banks for the District's cash accounts. 4. The Flexible Benefits cash account has one person who writes and signs the checks. They also reconcile the bank statement with no oversight.

Recommendation: Educating staff, oversight by authorized personnel and following the District's internal control policies will aid in the prevention of incorrect postings and misstatements throughout the year. Checks should not be created until the liability or expense will actually be paid. Checks should be mailed the same day they are printed and signed. The staff member who has responsibility for the Flexible Benefits account should be removed from the signature card. Cash management of the District's resources should be a priority of management.

Management's Response: Personnel will be educated. Checks will be mailed timely, the staff member will be removed from authorized signers, signature cards will be updated and more management oversight will be implemented.

2006-2

Finding: We found problems in the timely billing, follow-up, collection, and valuation of accounts receivable. 1. Commercial insurance denials were not being worked timely. This resulted in a number of claims exceeding the statute of limitations for rebilling and payment. 2. Numerous accounts are being returned by the postal service due to incorrect addresses. These incorrect addresses are not being researched, updated, and re-billed timely. The audit revealed accounts totaling approximately \$90,000 with incorrect addresses. 3. The allowance established for uncollectible commercial insurance and self-pay accounts is not adequate.

Recommendation: Commercial insurance accounts should be billed timely and denials should be worked timely. Failure to correct and re-bill denied claims timely could result in ultimate denial of the claim due to exceeding the statute of limitations. The admitting office staff should be educated on ways to gather and confirm accurate patient information upon admission. Allowances should be established that actually reflect historical collectibility of commercial and self-pay accounts. Management should consider alternative methods of collection such as, outsourcing self-pay collections immediately, auditing commercial claims for accuracy of information before filing, and vigorously pursuing collection of all receivables to prevent the growth of accounts receivable and improve cash flow of the District.

Management's Response: Administrator will review aging accounts receivable reports to insure third-party claims are filed and collected in a timely manner. Collection procedures will be reviewed.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2006

Internal Controls (Continued)

2006-3

Finding: The proper accrual of expenses on a timely basis continues to be a problem. Invoices were not accrued in the correct period and were not paid timely. Expense accruals are needed for invoices received after month and year end to match appropriately expenses and revenues. Without accurate accruals, assets, liabilities and expenses are misstated on interim financial statements. Neither department heads, the CFO, the Administrator nor the Assistant Administrator have signed and approved accounts payable invoices on a consistent basis as described in the District's internal controls. Invoices were given to the accounting department only once a month contributing to the problem of expenses being posted in an incorrect month.

Recommendation: Expenses should be accrued and posted at month end. Estimates can be used if an invoice is not received. The education of department heads and staff members regarding the policies of the District as well as oversight by authorized personnel will aid in the correct posting of assets, liabilities and expenses. Invoices should not be paid until signed by authorized personnel. We recommend authorized personnel return signed invoices to the accounting department on a weekly basis.

Management's Response: Staff has contacted software vendor and accruals are being posted in the correct month. Authorized personnel are returning signed invoices to accounting on a more timely basis. Invoices are being signed by appropriate personnel. Some solutions to the above problems are still being reviewed

2006-4

Finding: An ongoing problem is the use of signature stamps almost exclusively for accounts payable and payroll checks. This contributes to a lack of control over purchases, the timing of payments and lack of knowledge of what is being paid by the appropriate level of management.

Recommendation: We recommend at least one of the authorized signers sign all checks and review the documentation for the requested payment.

Management's Response: The recommendation will be done.

2006-5

Finding: We found a continuing problem in the classification of leases as either capital or operating. Misclassifications of leases lead to the posting of rental expense for operating leases to lease payable accounts or the posting to expense what should be a principal payment on a capital lease.

Recommendation: We recommend criteria for capital and operating leases be made available for staff to use in recognizing leases as either operating or capital to determine the correct accounts to post expenses.

Management's Response: Management will perform this recommendation.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2006

Compliance

2006-1

Finding: Federal and state payroll withholdings and taxes were not paid timely. The related payroll reports (941, etc.) were not filed in a timely manner. \$84,000 in state withholdings had not been submitted at year end. \$232,000 in federal withholdings had not been submitted at year end. Notices from the Internal Revenue Service (IRS) of non payment were received and ignored.

Recommendation: Immediately contact the IRS and Louisiana Department of Revenue to determine tax liability and which reports need to be filed. Payroll tax deposits should be made timely and applicable payroll reports filed timely.

Management's Response: After resignation of CFO, withholdings were submitted, taxes were paid, reports have been filed up to the current time and research is being done to determine if any other reports need to be filed or taxes need to be paid.

2006-2

Finding: The District continues to provide a lot of uncompensated services but these services are not being documented as such. Documented uncompensated services decreased from \$100,000 in fiscal year 2004 to \$705 in fiscal year 2006.

Recommendation: The District should provide its free care policy to each patient prior to admission or treatment. Patient charges for qualifying patients should be written off to uncompensated services and not bad debts.

Management's Response: The Business Office will begin documenting free care provided to patients.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2006

Internal Controls

2005-1

Finding: Several instances of cash transfers between District bank accounts and manual cash disbursements occurred without properly being recorded in the general ledger. Monthly bank account reconciliations were inadequate to detect and correct these errors during month end procedures.

Recommendation: Manual checks, ACH withdrawals and cash transfers should be posted in the period that they occur in order to properly reflect accurate cash balances. Bank reconciliations need to agree to the general ledger as well as any manual check registers maintained by the payroll clerk. Segregation of duties and review / approval of reconciliations promptly each month would strengthen internal controls to detect posting omissions as noted during this year's audit.

Management's Response: All cash disbursements will be recorded in the month they occur. Segregation of duties and review of bank reconciliations will be enforced.

Resolution: This matter has not been resolved.

2005-2

Finding: Several new capital leases did not contain a non-appropriation clause and were not approved by the Louisiana State Bond Commission.

Recommendation: We recommend obtaining non-appropriation clauses for all capital leases.

Management's Response: The District will request addendums to add the non-appropriation clause to all new capital leases. Also, legal counsel will be required to review all future lease agreements before the administrator is authorized to sign the documents.

Resolution: This matter has not been resolved

2005-3

Finding: The Finance Committee has been delegated with approval oversight for all administrative travel. However, a sample of expense reimbursement vouchers for the administrator did not have that approval documented with his expense reimbursement check. Also, two instances of improper reimbursement of personal expenses charged to the hotel bill were noted.

Recommendation: We recommend that a member of the Finance Committee review and approve all administrative expense reimbursement requests before the transaction is processed. We also suggest that the administrator repay the District for the personal items on his hotel bills that were erroneously reimbursed.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2006

2005-3 (Continued)

Management's Response: Authorization for payment will be documented on future expense reimbursement forms. The administrator will repay the District for the personal items.

Resolution: This matter has been resolved.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2006

Internal Controls

2004-1

Finding: The Finance Committee has been delegated with pre-approval oversight for all administrative travel. However, a sample of expense reimbursement vouchers for the administrator did not have that approval documented with his expense reimbursement check.

Recommendation: We recommend that a member of the finance committee review and approve all administrative expense reimbursement requests before the transaction is processed.

Management's Response: Authorization for payment will be documented on future expense reimbursement forms.

Resolution: This matter has been resolved.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2006

Internal Controls

2003-1:

Finding: A significant number of adjusting journal entries was necessary during the audit in order to present the District's financial statements according to generally accepted accounting principles. Prior year audit adjusting entries were not entered into the District's accounting system until August, 2003. The preliminary net income for the twelve months ended September 30, 2003 was reduced by over \$2.5 million to produce a net loss as reported according to generally accepted accounting principles.

Recommendation: We recommend management place more emphasis on accurately reporting the District's financial status on an interim basis. Accurate interim information is necessary to make informed decisions throughout the year. We also recommend management monitor Medicare, Medicaid and insurance contractual adjustments as well as bad debt percentages during the year in order to provide more meaningful interim information.

Management's Response: Administration will place more emphasis on timely and accurate interim financial statements. Administration will monitor Medicare and Medicaid payments and adjustments each month to accurately track financial adjustments.

Resolution: While improvement in the financial reporting area was noted, efforts should continue so that additional progress can be made.

2003-2

Finding: We noted a new equipment lease that met operating lease criteria that was being treated as a capital lease.

Recommendation: Leases should be reviewed upon inception to determine if they meet the criteria for capitalization. If such criteria are met, they should be capitalized and the asset and liability should be recorded. If the leases are determined to be operating leases, then the periodic lease payments should be expensed.

Management's Response: The Administrator and CFO will consult with the CPA on all leases to determine if the lease is a capital or operating lease.

Resolution: This matter has been resolved.

PARISHWIDE HOSPITAL SERVICE DISTRICT
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA
d/b/a RIVERLAND MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED SEPTEMBER 30, 2006

Internal Controls (Continued)

2003-3

Finding: We noted that a capital lease did not contain a non-appropriation clause or was not approved by the Louisiana State Bond Commission.

Recommendation: We recommend obtaining non-appropriation clauses for all capital leases

Management's Response: The District will request an addendum to add the non-appropriation clause.

Resolution: This matter has been resolved.

2003-4

Finding: The District did not include all activity or bank account balance of a checking account on the books of the District.

Recommendation: We recommend recording all assets owned by the District on the books of the District and its financial statements.

Management's Response: All assets owned by the District will be recorded on the books of the District and its financial statements.

Resolution: This matter has been resolved.